Local Authorities Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1990

Alberta
TREASURY

91-05807/

LOCAL AUTHORITIES PENSION PLAN

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for the fiscal year ended March 31, 1990

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PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6

The Speaker of the Assembly

Sir:

Pursuant to section 4 of the Local Authorities Pension Plan Act, being Chapter L-28.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Local Authorities Pension Plan for the fiscal year ended March 31, 1990.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

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Introduction

The Local Authorities Pension Plan was established effective April 1, 1962, by the Local Authorities Pension Act to provide a contributory pension scheme for employees of local authorities in Alberta. Local authorities include cities, towns, counties, municipal districts, hospitals, school divisions and districts, and other public bodies in Alberta, approved by the Lieutenant-Governor in Council.

The Local Authorities Pension Act was repealed on November 1, 1985, and replaced by the Local Authorities Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Local Authorities Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Local Authorities Pension Plan is a contributory defined benefit plan. Since January 1, 1989, employee contributions have been at a rate of 4.375 percent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 6.25 percent on any excess. The employer contributes at a rate one percent higher than the rate of the employee contributions. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Local Authorities Pension Plan.

Members may retire at any time after age 55 if they have accumulated five years of pensionable service. Normal pensionable age is 65, but members may also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age. Pension benefits are based on the number of years of pensionable service multiplied by 1.4 percent of salary up to the maximum pensionable earnings under the Canada Pension Plan and two percent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of pension is for the life of the member with a five year guarantee period. Single members may elect a life pension, a normal pension, or a 10, 15 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Local Authorities Pension Plan is administered by the Payroll and Pensions Division of Alberta Treasury.

In order to increase efficiency and improve service to employers and participants, Payroll and Pensions continues to upgrade its automated systems. Enhanced prior service, data input and participant record keeping systems were developed to improve information gathering and accommodate policy and procedural changes.

Pension forms were completely redesigned and master copies of each form have been provided to employers. By allowing the production of forms as required, stockpiling and wastage occasioned by form changes are eliminated.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1988, estimated the accrued liability of the Local Authorities Pension Plan to be $3,854,614,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 13.4 percent.

Participation

At March 31, 1990, there were 489 employers participating in the Local Authorities Pension Plan, 79,684 active contributors and 5,133 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the types of participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Local Authorities Pension Plan $	Transfers From Local Authorities Pension Plan $
Public Service Pension Plan	3,021,490	2,576,485
Public Service Management Pension Plan	403,872	491,251
Special Forces Pension Plan	–	62,455
Universities Academic Pension Plan	13,025	119,595
	3,438,387	3,249,786

Reciprocal Agreements

At March 31, 1990, the Local Authorities Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Government Telephones Pension Plan
- Alberta Teachers' Retirement Fund
- Public Service Management Pension Plan
- Public Service Pension Plan
- Special Forces Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Canada Mortgage and Housing Corporation
- Dalhousie College and University
- Government of Canada
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- Manitoba Municipal Employees Benefits Board
- Minister of Finance, Government of New Brunswick
- Minister of Finance, Government of Prince Edward Island
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Regina Civic Employees' Superannuation and Benefits Plan
- Saint Paul University
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- Saskatchewan Public Service Superannuation Board
- Saskatchewan Teachers' Superannuation Commission
- University of Manitoba

Reciprocal Transfers

During the year ended March 31, 1990, the following number and value of reciprocal transfers were undertaken:

	Transfers To Local Authorities Pension Plan		Transfers From Local Authorities Pension Plan	
	Number	Amount $	Number	Amount $
Alberta Government Telephones Pension Plan	4	71,825	5	71,634
Alberta Teachers' Retirement Fund	16	487,556	15	265,171
Government of Canada	16	211,015	15	184,230
Manitoba Civil Service Superannuation Board	7	126,525	–	–
Ontario Colleges of Applied Arts and Technology	–	–	3	120,613
Ontario Municipal Employees Retirement Board	4	52,775	–	–
Regina Civic Employees' Superannuation and Benefit Plan	4	30,615	–	–
Saskatchewan Health Care Association	25	250,838	10	216,111
Saskatchewan Municipal Employees' Superannuation Commission	3	20,432	3	72,000
Other	5	63,579	4	165,178
	84	1,315,160	55	1,094,937

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1990:

	Participants At March 31, 1990	Contributions Received		
		Employee $	Employer $	Total $
Cities	21,086	38,445,603	44,930,197	83,375,800
Towns	1,612	1,951,667	2,246,742	4,198,409
Villages	82	84,205	105,311	189,516
Counties	3,030	3,563,759	4,041,923	7,605,682
Municipal Districts	650	858,727	959,561	1,818,288
School Districts	9,057	9,641,104	10,952,299	20,593,403
Commissions	182	362,117	410,468	772,585
Hospitals	32,524	41,270,606	46,484,703	87,755,309
Other	11,461	16,047,130	18,544,392	34,591,522
Accounts Held On Deposit	5,133	2,183	–	2,183
	84,817	112,227,101	128,675,596	240,902,697

Refunds

The following amounts of member contributions and interest were refunded during the year to members terminating employment:

In addition, 215 refunds of excess contributions totalling $226,802 were made to members and employers during the year.

	Number	Amount $
Cash	3,145	9,634,739
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	1,900	10,548,318
	5,045	20,183,057

Death in Service Benefits

In the current year 94 members died while in service. Forty-two of the surviving spouses were granted spousal pensions. Lump sums were paid to a total of 67 individual beneficiaries in respect of the other 52 deaths in service.

Information and Counselling Services

During the year, Payroll and Pensions Division presented pre-retirement and information seminars in both Edmonton and Calgary. Approximately 25 participants attended each seminar and received information on retirement benefits and services.

Payroll and Pensions Division assisted the Alberta Retired Public Employees Society with the publication of Postscript. Postscript is a quarterly newspaper provided free of charge to pensioners. A regular information bulletin called Pension News was prepared for employers to assist them in carrying out their responsibilities under the pension plan.

Annual statements containing information on pensionable service, contributions and prior service, were produced and forwarded to employers for distribution to active participants in the plan.

Pension Benefits

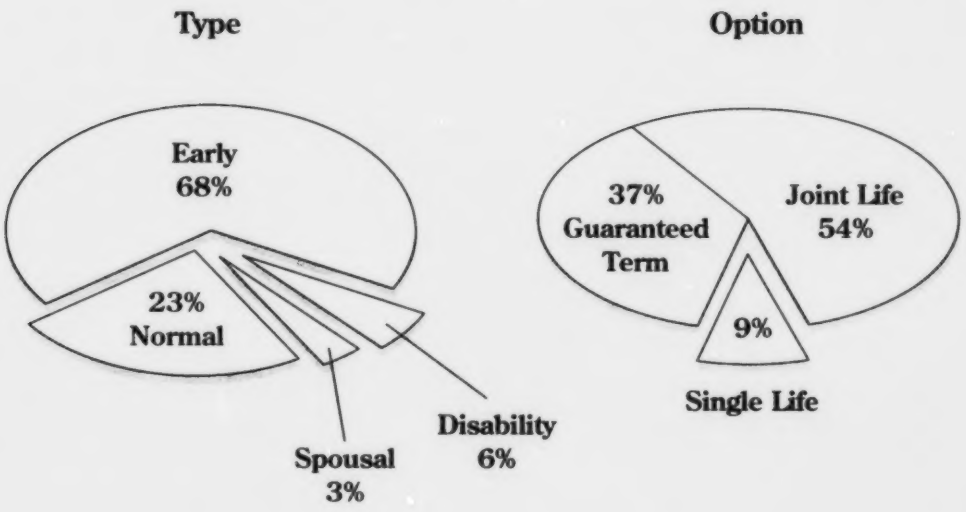
During the year ended March 31, 1990, pension benefits paid totalled $133,488,082, an increase of $13,734,877 (11.5 percent) over the previous year. A total of 1,235 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1990		1989	
Normal Retirement	289		342	
Early Retirement	836	(567)	816	(543)
Partial or Total Disability	68	(39)	72	(49)
Death-in-Service (Spousal)	42	(16)	67	(36)
	1,235	(622)	1,297	(628)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 190 were in respect of deferred retirements from previous years (27 normal, 137 early and 26 disability).

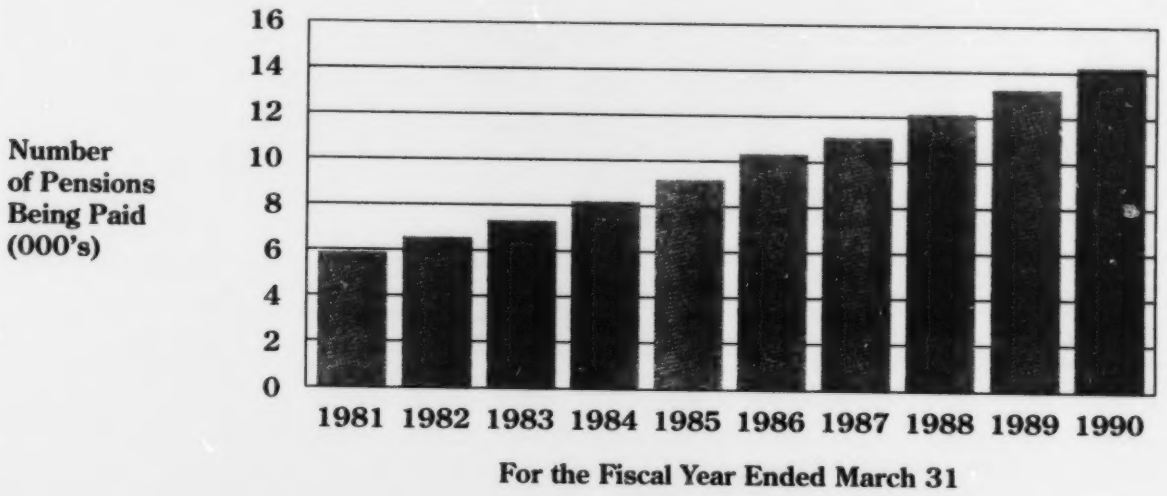
The charts below illustrate the relative proportions of retirements during the year by type of pension and option chosen:



Pension options selected by members were as follows:

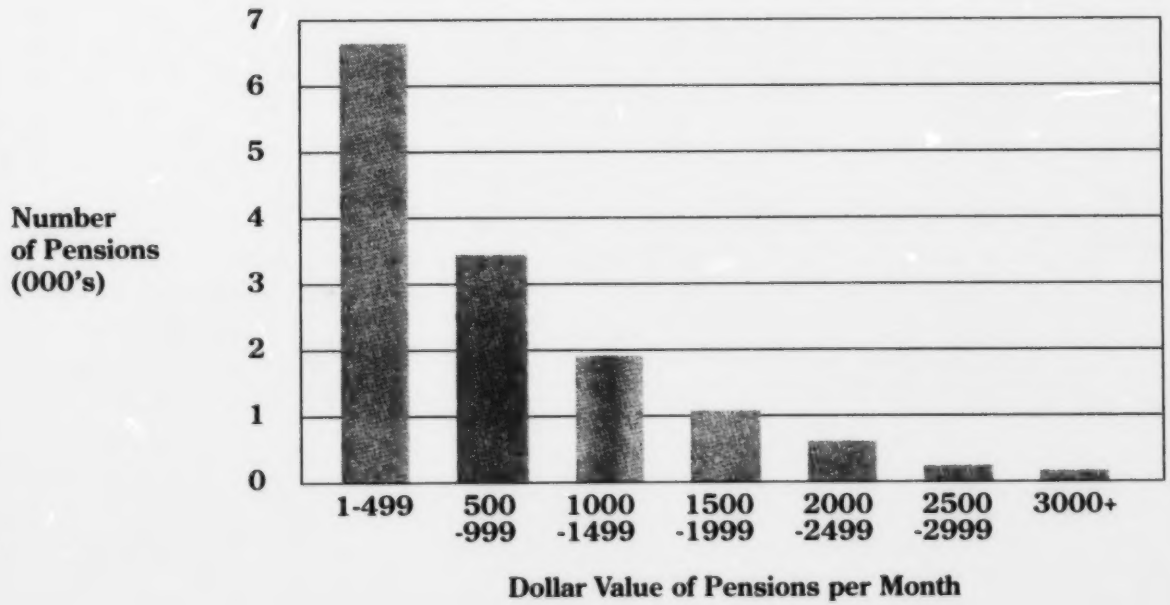
	At March 31, 1989	New Retirements	Beneficiaries	Deaths	End of Guarantee Term	At March 31, 1990
Member Pensions						
Normal (guaranteed 5 years)	2,065	126	7	(57)	(8)	2,133
Single Life	1,525	101	–	(53)		1,573
Guaranteed 10 years	2,342	111	25	(97)	(34)	2,347
Guaranteed 15 years	2,099	84	40	(54)	(19)	2,150
Guaranteed 20 years	1,602	96	34	(41)	(3)	1,688
Joint Life non-reduced	1,719	477	20	(24)		2,192
Joint Life reduced one third	666	183	9	(11)		847
Joint Life reduced one half	245	15	11	(9)		262
Spousal Pensions						
Single Life	241	5		(3)		243
Guaranteed 5 years	59	4		–		63
Guaranteed 10 years	108	3		(2)	(1)	108
Guaranteed 15 years	94	6	1	(2)		99
Guaranteed 20 years	430	24		(1)		453
Total Pensions	13,195	1,235	147	(354)	(65)	14,158
Pensions Co-ordinated with CPP and/or OAS	6,067	622	59	(134)	(21)	6,593

The number of pensions being paid at the end of each of the last ten years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1990, by dollar value of monthly pension:

Dollar Value Per Month $	Member Pensions	Spousal Pensions	Total
1 - 499	6,128	514	6,642
500 - 999	3,164	289	3,453
1,000 - 1,499	1,822	103	1,925
1,500 - 1,999	1,051	42	1,093
2,000 - 2,499	606	14	620
2,500 - 2,999	248	4	252
3,000 and over	173	–	173
	13,192	966	14,158



Effective January 1, 1990, a cost of living adjustment of 3.25 percent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the calendar year 1989.

Statement of Receipts and Payments
Year Ended March 31, 1990

	1990 $	1989 $
RECEIPTS		
Employee contributions	112,227,101	101,200,984
Employer contributions	128,675,596	116,175,730
Interest on overdue receivables	42,335	36,483
Total Receipts	240,945,032	217,413,197
PAYMENTS		
Benefits		
Pensions to retired members	124,936,281	111,652,476
Pensions to surviving spouses	6,995,637	6,472,876
Lump sums to beneficiaries of deceased pensioners	933,281	1,001,118
Lump sums to beneficiaries of deceased employees	622,883	626,735
	133,488,082	119,753,205
Withdrawals		
Refunds of contributions and interest to terminated members	20,183,057	19,168,163
Reciprocal agreement transfers	1,094,937	818,125
Refunds of excess contributions	226,802	84,526
	21,504,796	20,070,814
Total Payments	154,992,878	139,824,019
Excess of Receipts over Payments	85,952,154	77,589,178

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years. In addition, a graph is presented to illustrate a ten year trend.

(000's)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Receipts Over Payments
	Employee $	Employer $	Total $	Benefits $	With-drawals $	Total $	$
1989/90	112,227	128,718	240,945	133,488	21,505	154,993	85,952
1988/89	101,201	116,212	217,413	119,753	20,071	139,824	77,589
1987/88	92,057	106,211	198,268	105,640	18,092	123,732	74,536
1986/87	86,425	100,335	186,760	91,869	16,332	108,201	78,559
1985/86	77,473	91,401	168,874	80,274	15,448	95,722	73,152